



HARMONIZED SYSTEM
REVIEW SUB-COMMITTEE

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PROPOSAL BY THE CANADIAN ADMINISTRATION FOR AMENDMENTS TO THE
NOMENCLATURE CONCERNING CANOLA SEEDS, CANOLA OIL AND CANOLA MEAL

(Item II.A.7 on Agenda)

Reference documents :

40.106 (RSC/14)
40.470 Annex C/11 (RSC/14 - Report)
40.413 Paragraph 56, (HSC/18)
40.600 Annex E/1, paragraph 41, (HSC/18 - Report)
40.778 (RSC/15)
40.920 Annex A/7 (RSC/15 - Report)
40.881 Paragraph 12, (HSC/19)
41.100 Annex E/1, paragraph 13, (HSC/19 - Report)
41.669 (SSC/13)
41.690 Annex A/9 (SSC/13 - Report)
41.783 (RSC/17)
41.920 Annex A/17 (RSC/17 - Report)
42.237 (RSC/18)
42.465 (RSC/18)
42.500 Annex A/9 (RSC/18 – Report)
NR0008E (RSC/19)

I. BACKGROUND

1. On 29 January 1999, the Secretariat received the following note from the Canadian Administration with respect to the Canadian proposal for amendments to the Nomenclature concerning canola seeds, canola oil and canola meal.

File No. 2603

II. NOTE FROM THE CANADIAN ADMINISTRATION

2. "...At the 18th Session of the Review Sub-Committee, the Canadian Administration was requested to provide information regarding trade figures for traditional rape seed or colza products.
3. The Canadian Administration has reviewed this request and hereby offers to the Secretariat trade data on traditional rape or colza seeds and their products. In addition, some information is provided on the proposal so as to complement the existing documentation.
4. The four major producers of high erucic acid rape seed are Bangladesh, India, China and Pakistan. Together, they have produced in 1997 some 16 million tonnes valued at over US\$4 billion. Other producers of such seeds include Canada, the United States of America, Europe and Australia. According to industry sources, Canada's annual production of high erucic acid rape seed is over 80,000 tonnes.
5. Two of the most important producers of rape seed products containing high levels of erucic acid and/or of glucosinolates are China and India. Attached is a table which provides trade figures on quantity of exports and their value for these two countries. The values were calculated using the European (Dutch or German) lowest annual ex-mill price (averaged) quoted by Oil World, The table demonstrates that the value of trade, particularly for rape seed oil and meal, is considerable. Considering the volume of trade for these two countries alone, it is clearly evident that significant trade in traditional rape seed products will continue for several years.
6. Industry indicates that the industrial market for high erucic acid oil is expanding. Therefore, it is essential that its trade be recognized and separated from the "canola" (low erucic acid) type trade. It is thus very important to establish a proper rape seed nomenclature structure that identifies both the industrial market type (traditional) as well as the human and animal consumption market type (low erucic acid),
7. China and India, who do not have their production converted to meeting the specifications associated with canola (2% erucic acid) and who are therefore high producers of traditional rape seed products, have exported nearly 16% of the world's trade in rape seed oil/canola oil and nearly 43% of the world's trade in rape seed meal/canola meal in the past three years. A large portion of their exports is within Asia.
8. Canada's exports alone of high erucic acid oil is at least 20,000 tonnes. This oil receives a 30% price premium and therefore, has an estimated value of US\$839.73 per tonne or about US\$17 million annually.
9. The trade data concerning the volume (tonnes and \$) of international trade in canola products has already been submitted and accepted and it is clear that such data easily justifies the separate identification of canola seeds, canola oil and canola meal in the Harmonized System Nomenclature. Furthermore, the additional trade information hereby submitted clearly establishes the justification that both canola products and traditional rape seed/colza products must be individually identified in the HS Nomenclature.

10. With respect to previous discussions on the glucosinolate criterion, what is very important to establish is a common, international standard (30 micromoles per gram of oil free meal) within which countries may, if they wish, establish their own national standards for more stringent specifications. In other words, 2% erucic acid, 30 micromoles of glucosinolates establishes the benchmark. Any country could market canola having a higher quality than that of the benchmark. However, lower than benchmark quality products would not meet the canola specifications and would continue to be categorized as traditional rape seed products.
11. Concerning the debate on the usage of the term "canola", it is interesting to note that both the HS Nomenclature and the Explanatory Notes to the HS contain some terms or expressions that can be regarded as being of an unconventional type. It might be interesting to determine whether some of these expressions could generate a debate as to their generic status-v. their non-generic/unacceptable term status in the HS.
12. Hereunder are examples of such terms or expressions :
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|-----------------------------------|------------------------------------|
| "Camolino" rice | page 73 E.N. |
| Cognac, Armagnac, | page 179 E.N. |
| "Soderberg paste" | page 556 E.N. |
| "Lincrusta" | page 751 E.N. |
| "Kelem", "Schumacks", "Karamanie" | page 863 E.N. and Subheading text |
| Keene's cement | page 988 E.N. |
| Kolle, Roux, | page 1025 E.N. |
| Jacquards | page 1351 E.N. and Subheading text |
| dead-beat (or Graham) escapements | page 1677 E.N. |
13. It should be recognized that there are resemblances between the proposed usage of the term "canola" and the current use of the above listed expressions. Therefore, it is suggested that the use of these descriptors would support Canada's proposal to introduce the term "canola" in the HS Nomenclature and its Explanatory Notes.
14. It is surely agreed by all that the term "canola" is commonly used and that it is internationally recognized. Its usage would render product identification much easier in an international commodity classification system and it would facilitate the monitoring of imports and exports of high and low erucic acid products by concerned Administrations.
15. It is hoped that this information can assist the delegates at the upcoming deliberations on this matter and that Canada's proposal on canola products will receive positive support.

Exports in rape seed products for selected countries

Average for crop years 1997/98, 1996/97, 1995/96

Country	Volume in tonnes	% Market share	US\$	% Market share
SEED				
China *	7,300	0.2%	\$2,179,200	0.2%
World	4,111,067	100%	\$1,215,622,467	100%
OIL				
China *	284,933	15.5%	\$167,319,733	15.5%
India *	1,833	0.1%	\$1,176,367	0.1%
World	1,839,000	100%	\$1,076,849,667	100%
MEAL				
China *	303,300	10.6%	\$53,139,867	10.6%
India *	920,500	32.1%	\$160,527,000	32.2%
World	2,869,300	100%	\$499,080,167	100%

* Traditional / high erucic acid.

Source: *Oil World*, Annual, 1998."**III. CONCLUSION**

16. The Sub-Committee is requested to take the above information into account when discussing this Agenda Item.
